



Sectoral Profile

Motor Vehicle, Body, Trailer and Parts Manufacturing

Ontario Region

2017-2019



Sectoral Profiles provide an overview of recent labour market developments and outlooks for some of the key industries in various regions of the country.

STEADIER PATH FOR MOTOR VEHICLE, BODY, TRAILER AND PARTS MANUFACTURING

- Motor vehicle sales slow in 2017 after a period of sustained strength throughout North America
- Recent investment announcements across the industry will help maintain production in the short term in the province
- Ontario will continue to face stiff competition from the southern United States and Mexico to attract investments and new manufacturing plants
- Labour market conditions should be rather stable for the motor vehicle, body, trailer and parts manufacturing industry over the 2017 to 2019 period

Ontario is the engine of Canada's motor vehicle, body, trailer and parts (MVBTP) manufacturing industry. The province is home to all of the country's automotive assembly plants along with hundreds of parts suppliers and ancillary companies. In 2016, Ontario employed about 84.0% of Canada's workforce in MVBTP manufacturing.¹ The automotive parts manufacturing and motor vehicle production sub-industries account for the majority of employment in MVBTP manufacturing.

The motor vehicle manufacturing industry forms the heart of several local communities in southern Ontario and is a key part of the province's economy. It is a large contributor towards industrial gross domestic product (GDP) and total manufacturing sales. The industry is also a chief driver of cross-border trade stemming from the close ties in automotive production between Canada and the United States. MVBTP manufacturing supports thousands of direct and indirect jobs that span into avenues like transportation and retail trade where strong bonds have existed for decades.

Outlook: Employment in the motor vehicle manufacturing industry should remain steady

Over the 2017 to 2019 period, the MVBTP manufacturing industry will likely experience relatively stable employment in Ontario. New investments and ongoing production efforts to meet elevated demand will help to sustain industry employment. There may also be opportunities for parts manufacturers and related companies to supply the industry with innovative technologies and materials to support consumer preferences and industry-wide regulations.

Labour market conditions in the motor vehicle manufacturing industry continue to improve

Employment in MVBTP manufacturing has increased each year in Ontario since the industry hit its lowest level of employment in 2009.² Employment in motor vehicle parts manufacturing has seen annual job gains since 2010 and motor vehicle manufacturing has grown each year since 2012.

Although these gains are encouraging, employment in the MVBTP manufacturing industry is still well below the levels seen in the 1990s and early 2000s. Various structural shifts such as changes to trade regulations, improved labour productivity, and an overall loss of automotive capacity in the province could imply that the current state of employment may become the new norm.

Key occupations in the MVBTP manufacturing industry

Automotive-related positions are some of the best-compensated jobs across the manufacturing industry. Some of the key occupations in the industry are:

- Motor vehicle assemblers, inspectors and testers (NOC 9522)
- Material handlers (NOC 7452)
- Supervisors in motor vehicle assembling (NOC 9221)
- Manufacturing managers (NOC 0911)
- Welders and related machine operators (NOC 7237)

Factors influencing employment in the MVBTP manufacturing industry

Some of the main drivers behind future growth in the industry include:

- Motor vehicle sales at home and abroad
- Automotive production and competition from other regions
- Domestic investment in the motor vehicle manufacturing industry
- Opportunities for local parts suppliers to fulfill greater technology needs
- Levels of exports and trade uncertainty

Motor vehicle sales remain relatively stable across North America to meet consumer demand

Canadian light vehicle sales grew by 4.6% to reach an all-time high in 2017.³ Light vehicle sales have increased for eight consecutive years in Canada. However, the United States and Mexico saw slower demand for cars in 2017.⁴

Some of the main factors that will support higher motor vehicle sales in the near term are pent-up demand, replacement needs, population growth, and improved economic conditions. There still exists pent-up demand for new vehicles because of consumer restraint during the most recent economic slowdown. Reduced spending on automobiles in the past has increased replacement needs as well. The average age of a vehicle is just under 10 years old in Canada and a similar aging fleet exists in the United States.⁵ Growth in the driving age population will further push consumers into automotive dealerships. As seen in Canada, total light vehicle registrations are on the rise as more cars enter the roadways.⁶ Lastly, as the economic strength continues, particularly in the United States, consumers may be more likely to purchase big-ticket items such as motor vehicles.

Solid demand for motor vehicles in the United States boosts Canadian exports

MVBTP manufacturing is an export-intensive industry in Ontario, with almost 80% of its production exported abroad in 2016. Higher demand for motor vehicles in the United States along with the lower Canadian dollar will continue to lift automotive-related exports in Canada. In 2016, the total value of Canadian motor vehicle exports grew by 8.7%.⁷ Much of this stems from a rise in shipments to the United States, which is the destination for 95.7% of all Canadian automotive exports.⁸ Going forward, shipments in the MVBTP manufacturing industry should perform well to meet demand across the border.

On the other hand, the changing mentality on trade in the United States poses a risk which may temper U.S. demand for Canadian made vehicles in the forecast period; ongoing North American Free Trade Agreement (NAFTA) renegotiation talks have not yet yielded a resolution. The U.S. is requesting that 50% of parts in cars traded in the region be made in the U.S., as well as 85% of contents be North American. Currently, only 62.5% of car contents are required to be North American.⁹ Should the worst case scenario occur and tariffs be implemented on Canadian vehicle production, both the Ontario motor vehicle industry and their workforce would be significantly damaged given the industry's export dependency.

Motor vehicle production down in 2017

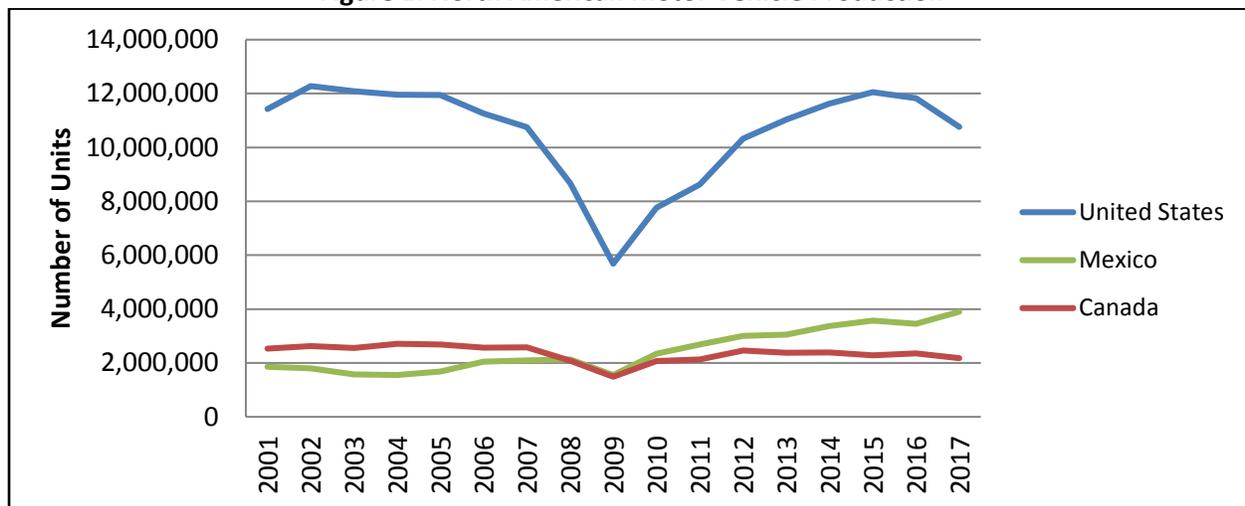
Total light vehicle production in Canada is down in 2017 (-7.5%) following a blazing year in 2016 (+3.9%).¹⁰ In line with consumer demand, the production of passenger cars has trended lower while the production of light trucks especially sport utility vehicles, remains relatively strong. In 2017, total light vehicle production was down in the United States as well (-9.0%). However, Mexico saw its production increase by 12.8% in 2017 as automakers seek lower labour costs.¹¹

One of the most noticeable trends in Canadian automotive production is the shift in assembly work away from Canada to the southern United States and Mexico. Canada's total share of motor vehicle production in North America fell from 16.2% to 13.4% between 2006 and 2016 as Mexico picked up more ground.¹² Overall, there has been a transfer of lower-valued compact cars to Mexico and more focus on higher-valued motor vehicles in Canada.

Discussions by the United States to amend NAFTA could affect this overall shift in production in the coming years. While some analysts feel that changes that promote assembly in the northern United States will be a

plus for Canada, others worry that major revisions could hurt automotive sales and disrupt the industry. Potential amendments to the trade agreement will likely remain a key topic over the immediate term, as the industry awaits the final decision.

Figure 1: North American Motor Vehicle Production



Source: DesRosiers Automotive Consultants Inc.

Recent investment announcements are a positive step but overall levels still lag behind

Major commitment from the large automakers in 2017 to invest in maintaining Ontario production over the next few years is a welcome sign for the domestic MVBTP manufacturing industry. New capital expenditures in the Canadian motor vehicle industry averaged just \$1.9B between 2010 and 2016 compared to over \$3.2B between 2000 and 2009.¹³ Although preliminary figures suggest that 2015 was one of the biggest years for investment in sometime,¹⁴ Canada continues to grab a smaller share compared to the southern United States and Mexico. Investments may be heading south for reasons such as lower production costs, and large financial incentives or grants. In particular, investments made in Canada are often to maintain or retool production rather than establish a new facility.

New opportunities exist as the automotive industry expands its technology base

As automakers look to incorporate more technology to meet consumer preferences and regulations, parts suppliers in Ontario could see greater opportunities. Growing areas of interest include fuel efficiency, new materials, increased connectivity and automated vehicles. These areas will also create opportunities for companies in communication and engineering to capture some of this potential growth. Over the past two years, there have been several large developments related to automated vehicles in the province. First, Ontario became the first province in Canada to authorize the testing of self-driving vehicles. In late 2017, Ontario launched the Autonomous Vehicle Innovation Network (AVIN) in Stratford – an initiative consisting of a central hub and four programs which aims to foster an accommodative environment to develop autonomous vehicle technologies in Ontario. General Motors of Canada Company (GM) announced that it would hire about 700 engineers in Oshawa and Markham to support research in this field. Ventures into the research and development of autonomous vehicles have also been undertaken by Ford Motor Company of Canada Limited, Uber, and Blackberry Ltd. Moving forward, Ontario has the potential to become a major player in automotive technology because of the higher skill level of its MVBTP manufacturing industry and the cluster of research and innovation centres in the province.

Sub Provincial Trends: A snapshot of Ontario's motor vehicle manufacturing hubs

Toronto Economic Region

Toronto is home to three automotive assembly plants and hundreds of parts suppliers. About 26.8% of all motor vehicle production in Ontario took place in the Toronto region in 2016. Some of the larger companies in the region are FCA Canada Inc. (FCA), Ford Motor Company of Canada Limited (Ford), GM, ABC Group Inc., Magna International Inc., and Martinrea International Inc.

Recent Labour Market Highlights:

- Ford will produce a new redesigned Edge SUV at its Oakville manufacturing facility. However, no new jobs will be created from this expansion. Production of the Ford Flex in Oakville will fully cease by 2020.
- GM Canada will be scaling back passenger car production at its Oshawa facility and repurposing an assembly line to build a truck. Truck production should start in January 2018 and could add 500 jobs.

Kitchener–Waterloo–Barrie Economic Region

The Kitchener–Waterloo–Barrie region has two automotive assembly plants and several tier one and tier two suppliers. About 32.4% of all motor vehicle production in Ontario occurred in this region in 2016. It is the heart of Honda Canada Inc.'s (Honda) Canadian operations. Some of the other larger companies in the region are Toyota Motor Manufacturing Canada Inc. (Toyota), and Linamar Corporation.

Recent Labour Market Highlights:

- Honda will invest \$500M to build a new paint shop at its Alliston site
- Linamar will receive up to \$100M in grants from the federal and provincial governments to upgrade its motor vehicle engine and parts facility in Guelph, which is expected to create 1,500 jobs over ten years
- The Government of Ontario is partnering with Toyotetsu Canada Inc., an auto parts manufacturer in Simcoe, to invest over \$29M into a production line project. This expansion will create 26 new jobs and will be completed in spring 2020.
- Pilkington Glass of Canada Ltd., a windshield manufacturer in Collingwood, is expanding its lamination department which will add over 60 jobs

London Economic Region

The London region has two automotive assembly plants and a cluster of motor vehicle parts suppliers. About 27.7% of all motor vehicle production in Ontario took place in the London region in 2016. Some of the larger companies in London are GM, Toyota, Formet Industries, and Brose Canada Inc.

Recent Labour Market Highlights:

- GM announced that it would shift production of the GMC Terrain from its CAMI Plant to Mexico in July 2017. The automaker laid off about 400 employees because of a changeover in vehicle production in the summer of 2017.
- Sodecia London, an automotive parts manufacturer, received \$5M from the provincial and federal governments to adopt advanced technologies, creating up to 44 jobs
- There were also investment announcements from other motor vehicle parts suppliers such as Armo Tool Limited, Goss Global, and KSR International Co.

Windsor–Sarnia Economic Region

The Windsor–Sarnia region has one automotive assembly plant, two large engine facilities, and is a significant cluster for motor vehicle parts suppliers and machine, tool, die and mold shops. About 13.1% of all motor vehicle production in Ontario occurred in Windsor–Sarnia in 2016. Some of the larger companies in the region are FCA, Ford, Valiant Machine & Tool Inc., and Nematik of Canada Corporation.

Recent Labour Market Highlights:

- Ford, along with the federal and provincial governments, will invest about \$200M for a new engine program at its Windsor and Essex Engine Plants, which will create or retain about 800 jobs
- FCA Canada Inc. is looking to outsource transport operations in Windsor by the end of 2017, eliminating 295 positions. Affected employees will be offered positions at the assembly plant or retirement packages for those who qualify.
- There were also investment announcements from automotive parts suppliers such as Nematik of Canada Corporation, Ground Effects Ltd., Woodbridge Foam Corp., and Astrex Inc.

Other Economic Regions in Ontario

The MVBTP manufacturing industry has a large presence in other areas across southern Ontario like the **Muskoka–Kawarths**, **Hamilton–Niagara Peninsula**, and **Stratford–Bruce Peninsula** regions. These areas benefit from being close to one of the province's automotive production hubs.

Recent Labour Market Highlights:

- Ford will build a research and development centre in Ottawa which focuses on autonomous and connected motor vehicles, creating 295 engineering jobs.
- Mitsui High-tec Inc. opened its new facility in Brantford in April 2017. The plant produces motor cores for electric and hybrid vehicles.
- FIO Automotive Canada Corporation, with help from the Government of Ontario, will invest almost \$10M in its motor vehicle parts plant in Stratford, which will create 35 new jobs

Prospects in the motor vehicle manufacturing industry look bright for the short term

The MVBTP manufacturing industry will likely experience steadier conditions over the next few years. Elevated levels of automotive sales, greater replacement demand, improved conditions in the United States, and recent investments from some of the large automakers should help maintain manufacturing efforts across the province. Even though Ontario will still contend with increased competition from the southern United States and Mexico when vying for investments, there are new avenues on the horizon. The province may be able to focus on higher-valued motor vehicles and parts as well as become a leader in automotive technology, which seems to be the path of the future. One factor that will likely be at the forefront in the near term is ongoing talks to amend the North American Free Trade Agreement (NAFTA). While this could help support the local industry, it could also open the doors for major changes to the broader automotive manufacturing base. Until a decision is made, automakers, parts manufacturers and policy makers will continue to stand by.

Note: In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

Prepared by: Labour Market and Socio-economic Information Directorate (LMSID), Service Canada, Ontario
For further information, please contact the LMI team at: NC-LMI-IMT-GD@hrsdc-rhdcc.gc.ca

© Her Majesty the Queen in Right of Canada as represented by Employment and Social Development Canada, 2018, all rights reserved

¹ Statistics Canada. Survey of Employment, Payrolls and Hours (SEPH), CANSIM Table 281-0024

² Ibid.

³ DesRosiers Automotive Consultants Inc. Volume 31, Issue 1 and Volume 32, Issue 1

⁴ DesRosiers Automotive Consultants Inc. Volume 32, Issue 1

⁵ DesRosiers Automotive Consultants Inc. Volume 30, Issue 6 and Volume 30, Issue 13

⁶ DesRosiers Automotive Consultants Inc. Volume 30, Issue 6

⁷ Statistics Canada & US Census Bureau

⁸ Ibid.

⁹ Mayeda, A. (2018, January 19). U.S. said to be losing patience over NAFTA talks. Bloomberg News. Retrieved from <https://www.bnn.ca/u-s-said-to-be-losing-patience-over-nafta-talks-1.972674>

¹⁰ DesRosiers Automotive Consultants Inc. Volume 32, Issue 2

¹¹ Ibid.

¹² DesRosiers Automotive Consultants Inc. 2016 Automotive Yearbook, Section 6 and Volume 31, Issue 2

¹³ DesRosiers Automotive Consultants Inc. Volume 30, Issue 19

¹⁴ Ibid.