

Automotive Industries Association of Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The Automotive Industries Association of Canada (AIA) is the national trade association representing the automotive aftermarket industry in Canada. The aftermarket is an \$18.4 billion industry that employs more than 420,200 people or 51% of the total number of employees in the Canadian automotive sector. AIA represents manufacturers, warehouse distributors, wholesalers, retailers, collision repair shops and automotive service and repair outlets across Canada. Although the automotive aftermarket is an \$18.4 billion industry, it has the potential to produce \$30.4 billion annually if Canadians performed regularly scheduled, manufacturer recommended maintenance. Additionally, there would be significant associated economic, safety and environmental benefits. The automotive fleet is growing and aging with currently over 21.7 million vehicles registered in Canada and an average vehicle age of 8.5 years. In order to incent Canadians to perform regular vehicle maintenance and repair, AIA has presented the Federal Government with a proposed Vehicle Inspection Incentive Plan (VIIP) for comment and review. The proposed VIIP is designed on the model of the highly successful Home Renovation Tax Credit previously implemented by the Federal Government. The VIIP program is designed to improve road safety and reduce the associated social cost impacts of collisions, reduce overall fuel consumption by keeping cleaner, more efficient cars on the road and support Canadian families by helping avoid unnecessary and costly vehicle breakdowns. AIA enlisted the services of the Conference Board of Canada (CBoC) to further analyze the economic impact of the VIIP program. The CBoC findings illustrate that the Federal Government would benefit from the VIIP in its current draft as follows: • Expenditures reduced by \$266.4 million. • Revenues increased by \$107.4 million. • Net benefit equal to \$373.8 million. • An additional net benefit to Provinces equal to \$187.3 million. • Creation of 25,100 jobs (9,362 of which would be skilled automotive technicians). • Reduction in unemployment rate by 0.1%. The AIA looks forward to working with the Federal Government to refine the VIIP, and develop a collaborative and mutually beneficial program. Given the current economic climate, we strongly feel that such a program would work to spur economic development in the form of job creation, with the additional benefit of improving the safety of Canadians on our roads and highways.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

As explored in Question #1, AIA feels that the proposed VIIP would promote significant job creation within the automotive aftermarket industry and associated sectors. Specific to employment, the increase in spending from the implementation of a program such as the VIIP results in the creation of 25,100 jobs. The employment can be split into direct, indirect and induced effects. The direct effects include employment creation as a result of the new spending. 15,800 jobs are created directly as a result of the increase in consumer spending. These are jobs created at auto dealers (which are in the retail

industry) and in the auto service repair industry. Of these jobs created, 9,362 or 59.3% of the direct labour effects will be classified as skilled labour positions such as professional service technicians. The indirect employment effects result from the supply chain linkages of the auto dealers and auto repair shops. For example, they would require more auto parts and it may lead to the construction of new service locations. The indirect effects create an additional 4,700 positions, primarily in various service industries. The induced employment effects result from the wages and profits generated by the direct and indirect effects as they are spent. For example, a newly hired automotive technician would spend their wages on a variety of goods and services. The induced effects create an additional 4,600 positions, primarily in the various service industries. From these results, it is possible to create an employment multiplier. This is the ratio of total employment created relative to the employment directly created at auto repair shops and in dealerships. In this case the multiplier is 1.59. While the multiplier is not overly high, this is a reflection of the fact that the auto repair industry is labour intensive. As such there are a high number of direct jobs relative to the jobs created by the indirect and induced effects.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The automotive industry is a key driver of the Canadian economy, however, it is currently challenged by a skilled labour shortage. The supply of qualified new hires continues to be an impediment of growth and profitability for the industry. A growing segment of the industry's current workforce (55%) has less than 10 years of experience in the industry with some 16% of this cohort under the age of 25. At the same time, the proportion of workers 45 years and older has increased from 23% in 2005 to 32% in 2009. The demographics of the workforce represent a number of challenges for employers in the automotive aftermarket. The potential loss of the industry's most experienced workers through retirement, coupled with the relative inexperience of over half of the remaining workforce, is further compounded by insufficient supplies of qualified new hires. Approximately 13,000 positions are unfilled within the industry, of which 37% are service technician positions. 29% of industry employers surveyed said they have one or more unfilled positions. It is a reality that many young people will not have exposure to the skilled trades, the range of opportunities or relevant information about how their school-based skills can be applied in a workplace setting. Educators are a key source of information about the labour market, yet many have limited knowledge about the various sectors of the economy and the skills required by employers. Labour market information, occupational standards and certification opportunities, and work experience opportunities can make an impact on successful school-to-work transition. Educators and employers work in different schedules and business cycles with heavy demands on their time. However, steps taken to bridge these two cultures can better engage young people in their learning and provide broader relevance to curricula being taught to assist in the transition to work they value and enjoy. Recommendations: Programs that support school-to-work transition are important to a wide variety of industry occupations, including the skilled trades. Effective connections need to be made between labour marketing information, occupational standards and the skill requirements to enter an industry. Opportunities to experience what it is like to work in an occupation and to witness how skills are applied in a job setting are also extremely valuable. The labour market is vast and difficult for those without experience to navigate. Strategies that can facilitate this navigation, make connections between skills and occupations, and provide opportunities to experience the demands of an occupation would broaden the scope of an individual's awareness about skilled trades and industry sectors, including the automotive aftermarket.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Canadian consumers continue to incur more personal debt, particularly older Canadians approaching retirement age. This will create a challenge for society and governments down the road who may need to provide added benefits and support to retirees unable to afford shelter, food and basic commodities. The uncertainty in the real estate and stock markets may also force many future retirees to reconsider their retirement plans, thus creating a possible squeeze on the number of jobs available to the upcoming generation of youth entering the workforce over the next 10-15 years. The Federal Government will need to ensure that the Canada Pension Plan remains viable and strong well into the future and it will also need to provide youth with greater opportunities for first full-time employment once they graduate from college or university. Emphasis on providing recent college and university graduates with a type of global entrepreneurial support program and incentives may be required. Tighter lending conditions imposed by the Federal Government are a step in the right direction; however, consumers will need to take appropriate action to improve their respective balance sheets. The recession has resulted in sharply higher unemployment and some of that unemployment may persist. During recessions, long-term spells of unemployment become more prevalent and such spells can impair workers' abilities to find other jobs. The Federal Government and the private sector will need to work hand-in-hand to develop policies and programs to stimulate job growth and to improve labour productivity. AIA Canada has put forward such a proposal where governments and the automotive service and repair sector can work together to stimulate economic activity and growth through a consumer incentive program (VIIP), aimed at getting more vehicles properly inspected and repaired.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

One of the biggest challenges facing Canadian automotive aftermarket manufacturers and distributors is the slow economic recovery in the United States (U.S.). While this is having a lesser impact on retailers and consumers in Canada, it is nevertheless an issue that will continue to impact Canadian commerce given the strong trading relationship. In addition, consumer confidence in Canada is often intertwined with consumer confidence in the U.S., due to the close physical proximity and the shared media channels between the countries. The Federal Government will need to continue to identify new markets for Canadian exporters to diversify our long-term reliance on the United States. At the same time, AIA recommends that the government continue to ensure that Canadian companies have unrestricted access to the U.S. market, while maintaining a strong stance against any U.S.-based initiatives aimed at promoting "Buy America" policies. In particular, ensuring fair and timely treatment at the border as goods are shipped to the U.S. in order to avoid costly delays will continue to be of great importance.