

Brian Masse M.P.
Member of Parliament
Windsor West



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November 21, 2016

The Honourable Navdeep Bains
Minister of Industry, Science and Technology
House of Commons
Ottawa, ON
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Dear Minister Bains,

As you know UNIFOR just completed its pattern bargaining process with North American Auto manufacturers. Despite the enormous challenge this round of negotiations presented for both sides the deals that have been ratified will have very positive impacts for the Canadian economy moving forward.

Through this process Canada will see nearly \$1 Billion in new investment from Ford, GM and Fiat-Chrysler over the life-cycle of these deals. Both the manufacturers and the union are to be commended for reaffirming their commitment to Canada. This is leadership.

In fact, this round of collective bargaining has accomplished more to secure new auto investment than successive previous governments. It is worth noting that UNIFOR took significant steps on pensions to secure significant investment guarantees. Opting to prioritize investment and jobs ahead of wages demonstrates yet again that UNIFOR understands the challenges Canada faces in the global competition for investment and underscores their role as a constructive partner in the Canadian economy.

UNIFOR and its members have done their job, now it's time for the government to follow.

Canada's suite of policies to promote growth in the auto sector are weak, as evidenced by declining investment in Canada despite record automotive investment globally.

Canada must do better.

We are well acquainted with the positive economic benefits this sector provides to Canada's GDP (largest contributor to manufacturing GDP), jobs (employs 1 out of every 7 seven Canadians directly or indirectly) and driving innovation. To that end I am renewing my call to develop a National Auto Strategy.

As you know the Standing Committee on Industry, Science and Technology is close to completing its study of Canadian Manufacturing. The report once tabled will offer a number of specific recommendations intended to help stimulate growth in the sector. What is clear and reflected by the testimony is that Manufacturing and Auto are extremely complicated industries impacted by education policy, trade policy, tax policy, environmental policy, energy policy, labour laws, collective bargaining, infrastructure and incentive programs and other areas. Only a National Auto Strategy will facilitate comprehensive policy development that will grow Canada's auto sector and build our middle class.

The Committee's work brought some crucial information to light as well as reiterating and highlighting important impacts of the manufacturing sector as a whole and the automotive industry specifically. It is crucial that policy makers at all levels of government understand that within the manufacturing sector auto has the highest job multiplier of any other industry. Again, only leadership on a National Auto Strategy by the federal government can unite the provinces, municipalities and private sector to galvanize the restoration of Canada's historical presence and pride in the auto sector.

Unfortunately under successive governments this crucial sector continues to bleed jobs and lose investment. Under both Liberal and Conservative governments Canada's global ranking as an automobile producer fell from 2nd to 10th. Alarming, the relative contraction of our automotive industry is occurring during a worldwide expansion of auto capacity...our current approach is not working.

The centrepiece of Canada's suite of policies designed to stimulate new investment is the Auto Innovation Fund (AIF). As you know these are taxable loans and while the program has been leveraged somewhat the program has failed. The only modification has been to raid funds from it to create the Automotive Supplier Innovation Program, which should have been allocated its own direct funding. The industry has been calling on the government to make the AIF a non-taxable grant program and provided it increases Canadian employment, production, and innovation; I am re-iterating my support for their position to you.

The AIF is not the only problem. The Scientific Research and Experimental Development Tax Incentive Program (SR&ED) is inconsistent and unreliable. The Industrial Research Assistance Program (IRAP) is also underleveraged due to its limited scope and administrative challenges. Additionally, a program that is working - the Accelerated Capital Cost Allowance for Manufacturing - should be made permanent to facilitate strategic long term investment planning for domestic producers.

Overall your policy approach is not getting the job done. On this point there can be no debate.

Additionally, our attitude to trade sacrifices auto. The government recently signed the Trans Pacific Partnership (TPP), which deliberately negotiated a worse deal for auto than our NAFTA partners and as well as other TPP jurisdictions. For example, Malaysia negotiated a twelve year auto parts phase-in, the United States 25 years, and in Canada only 5 years. Being out-negotiated by a non-G20 country is clearly unacceptable to the workers of this country. Ironically, it could be U.S. President-elect Donald Trump, in his pledge to scrap the TPP, who may do more to protect to the Canadian auto industry than your government.

In addition, the failure to understand the automotive industry and trade includes the non-tariff barriers. South Korea and Japan prohibit reciprocal market penetration of Canadian automobiles by structure and design. Our net Auto trade deficit with South Korea was deliberately exacerbated as a result the Canada-South Korea Free Trade Agreement. Auto manufacturing is one of Canada's most important value added industries and should not be treated as a bargaining chip to leverage concessions in other sectors during trade negotiations.

Canadians can only hope that your department is developing an assertive strategy should NAFTA renegotiations recommence, as your Prime Minister indicated a willingness to do. The Auto Trade Pact with the United States successfully helped Canada grow into a global superpower and should be a lesson for trade negotiations.

A major problem impacting the auto sector is the skills gap. We need to do a better job equipping Canadians with the skills they need to help our economy grow. In addition to the challenge of attracting new investment in auto and creating jobs, our domestic producers are also challenged to find people to fill existing jobs. A skilled labour force is a significant factor for firms in the investment decision-making process. Canada must do a better job communicating our labour force needs to our citizens and creating accessible opportunities to acquire those skills.

Moreover, several years ago the Chrétien government created the Canadian Auto Partnership Council (CAPC), which produced excellent analysis and policy recommendations for the government on how to grow our domestic auto industry. For several years up until very recently CAPC stopped producing reports. This model brings together stakeholders from business, labour and government and when properly harnessed can produce tremendous work. I am urging you to commit to ensuring this potentially valuable resource continues its work, and returns to the stature it once had.

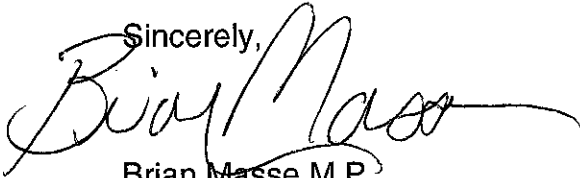
In summary, auto manufacturing is clearly a key economic driver in Canada. In the last election the NDP proposed the government create /Canada, a one stop shop within the federal government where producers and potential investors can get the assistance accessing government programing. An agency specifically dedicated to re-establishing

Canada on a growth trajectory in this critical sector is crucial for our economy, accountability, measurables of jobs and investments in all aspects of the auto industry.

I look forward to working constructively and collaboratively with you and the range of stakeholders including labour and business to help grow the Canada automotive industry.

Political will is of the essence. Will Canada once again compete?

Sincerely,

A handwritten signature in cursive script, reading "Brian Masse". The signature is written in black ink and is positioned above the printed name.

Brian Masse M.P.
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