

# Auto Industry Facts & Figures

## 29 Crucial Things You Need to Know About the Current Auto Crisis



### The Financial Crisis and the Collapse of U.S. Sales

**FACT 1:** The Big Three's U.S. sales fell 41% in October, compared to the previous year. But they weren't alone. Other automakers were hit hard by the credit freeze, including:

Suzuki (down 49%) Isuzu (down 49%)  
Kia (down 41%) Lexus (down 38%)  
Nissan (down 36%) Hyundai (down 34%)  
Honda (down 28%) Toyota (down 26%)

No company is immune from the terrible decline in auto sales caused by the financial crisis. And European and Asian automakers are also getting financial assistance from their home governments to weather the storm.

**FACT 2:** Canadian auto sales have actually *increased* slightly in 2008, since our banking system hasn't experienced the same credit freeze. But 90% of the vehicles we assemble go to the U.S. market, which is collapsing.

**FACT 3:** The Big Three operate their own internal "banks": large internal finance divisions that lend to car buyers and car dealers. But until now, they haven't been able to access the \$700 billion bank rescue package approved by the U.S. Congress. With no loans or leases available, car sales are collapsing, and now the automakers are on the verge of failure.

### The Importance of Auto

**FACT 4:** For every job in a major auto facility (assembly or powertrain), a total of 7.5 jobs depend on that job – including "upstream" jobs in the supply and parts industries, and "downstream" jobs in consumer industries and services.

**FACT 5:** A total of 440,000 Canadian jobs depend directly or indirectly on the auto industry.

**FACT 6:** Autoworkers alone pay \$2.2 billion in federal and provincial income taxes yearly.

**FACT 7:** Informetrica Inc. (economic consultants) has estimated that a 25% decline in auto exports (resulting from the bankruptcy of just one of the Big Three) would eliminate 155,000 Canadian jobs, and cost governments \$6 billion per year in lost revenues.

**FACT 8:** Canada has already lost 35,000 auto jobs since 2002.

### One-Way Trade

**FACT 9:** North America imports over 4 million vehicles from offshore per year. This year, offshore imports will consume almost 30% of Canadian vehicle sales. The import market share has tripled since 1996, and this explains most of the loss of Big Three market share in the same period.

**FACT 10:** In 1999 Canada generated an auto trade surplus of \$15 billion – our best ever. But with growing imports and falling exports, that surplus has evaporated. We slipped into deficit for the first time in 2006. The deficit reached \$7 billion in 2007, and will double this year to over \$12 billion.

**FACT 11:** Since 1996, Canada's auto imports from Japan have grown 118%. But our auto exports to Japan have declined 69%. Our auto trade deficit with Japan equals \$6.3 billion. For every dollar we export to Japan, we import \$135.

**FACT 12:** Since 1996, Canada's auto imports from Korea have grown 710%. But our auto exports to Korea have declined 75%. Our auto trade deficit with Korea equals \$1.7 billion. For every dollar we export to Korea, we import \$177.

### Helping Banks... (and Other Companies!)

**FACT 13:** Since September, the federal government and its agencies have announced financial support for Canadian banks totaling over \$100 billion. This includes loan

guarantees, emergency low-interest loans, “swaps” of assets to free up operating cash, and relief from regulatory requirements.

**FACT 14:** The federal government owns several banks which can provide loans and other funding to companies (like automakers) directly, without costing taxpayers a cent. That’s not a “bailout.” These banks include the Bank of Canada, Export Development Canada, the Business Development Bank, and the Canada Mortgage and Housing Corporation.

**FACT 15:** In 1979 the U.S. and Canadian governments participated in a rescue package to prevent Chrysler from going bankrupt. It involved guaranteeing loans from private banks, in return for certain commitments by the company. The Canadian government received share options in the restructured company in return for its role. Also, Chrysler committed to build a new assembly plant here (which became the Windsor minivan plant). Once Chrysler recovered, the Canadian government sold its share options for a significant profit. The restructuring didn’t cost taxpayers a dollar – but if Chrysler had failed, our government would have lost billions in tax revenues.

## Labour Costs in Context

**FACT 16:** CAW members at the Big Three make an average of about \$35 per hour – not \$70 or more as is commonly reported in the media. CAW members in auto parts companies make less: an average of \$24 (and often much lower). The media often reports “total labour cost” numbers as if they were actual wages. But in fact “total labour costs” include *all* labour-related charges, including pensions, benefits, statutory rights, and even payroll taxes (like CPP and EI) paid to **government**.

**FACT 17:** According to the U.S. Bureau of Labor Statistics, hourly labour costs for Canadian autoworkers are significantly lower than in Germany, Japan, and the U.S.

**FACT 18:** Workers at Toyota and Honda’s non-union facilities in Canada earn hourly wages, pensions, and other benefits virtually identical to those earned by CAW members at the Big Three.

**FACT 19:** In its 2008 contract with the Big Three (now being implemented), the CAW negotiated cost savings that will total over \$300 million per year (once fully in place).

**FACT 20:** Savings from the CAW 2008 contract are larger than would result from a two-tier wage system (especially since the auto industry is not hiring new workers.)

**FACT 21:** The decline of the Canadian dollar since July, to a normal long-term level, reduces

the Big Three’s Canadian labour costs (in \$U.S. terms) by \$750 million per year.

**FACT 22:** CAW members in the auto parts sector have made dramatic changes in efficiency and contract provisions to maximize the chances for survival of Canadian parts plants, despite the current crisis.

**FACT 23:** According to Statistics Canada and company financial reports, direct labour costs (*including* management!) make up only 7 percent of total vehicle production costs in Canada.

**FACT 24:** The Big Three’s losses, centred in the U.S. market, are so large that workers in Canada cannot possibly rescue them through wage cuts. CAW members could agree to work all year without wages, and the resulting savings would offset the Big Three’s average 2008 losses for only 11 days.

## Our Productivity Advantage

**FACT 25:** Measured in physical output (eg. vehicles per worker, or hours per vehicle), Canadian auto facilities are 10-15% more productive than U.S. plants. The auto industry is one of just four manufacturing sectors where Canada is more productive than the U.S.

**FACT 26:** Even this underestimates Canada’s *true* productivity advantage. Canadian auto facilities produce a mix of higher value-added products. In value-added terms, our productivity advantage is even larger.

**FACT 27:** Companies focus on unit labour costs, which equals labour costs divided by productivity. At current exchange rates, Canadian autoworkers are 10% less expensive than in the U.S., and we have a productivity advantage of over 10%. Therefore, it is 20% cheaper to produce a unit of output in Canada.

## Fighting Back Makes a Difference

**FACT 28:** The CAW is a mature and responsible union. We have ensured that our facilities remain competitive with other industrialized countries for new investment, and we will continue to do so.

**FACT 29:** We don’t know what the next weeks and months will bring. But we do know this: sticking together in our union to fight for our shared interests will win the best deal possible, for our families and communities.